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Talking Points for PFIAB on USSR and Eastern Europe

1. Although the USSR has profited from the Falklands and Middle East crises, its own political and economic situation is not encouraging from Moscow's standpoint.

2. The most acute problem is the Soviet leadership question:



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--Below his level the struggle for second in command and eventual successor continues but no candidate has yet become strong enough to impose his will on the rest of the Politburo and give the country the direction which Brezhnev is no longer able to provide.

--On balance, events of the last two months suggest a strengthening of Andropov's position but he is certainly not sure of ultimate victory yet.

4. On the economic front the Soviet situation appears dismal.

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5. Developments in Eastern Europe cannot give the Soviets great cause for satisfaction either.

--Financially it is so strapped for hard currency that it continues cutting back non-essential imports and to try, largely unsuccessfully, to obtain longer term financing for grain imports.

will be badly needed, because estimates
--Those imports ~~loom just as heavy~~ for the next crop year ~~as the estimate for that crop~~ now range between 185 ^{and} million tons ~~to~~ 160, the fourth poor crop in a row and the equal of this year's dismal performance which fell about a third below plan.

--Industrial growth remains ~~around~~ between 1 and 2 percent, less than half of planned. During the first five months of this year, output was down in 23 out of 56 industrial categories compared to 19 out of 59 industrial categories for the first five months of 1981.

6. In Poland:

--Politically an equilibrium of stalemate prevails with the government unable to impose its will, Solidarity

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and the Church unwilling to accept total surrender, creating a situation which results in sporadic demonstrations and government use of force.

--Economically, the down slide seems to have stopped but industrial production has stabilized at about 60 percent of capacity.

--Financially, the country is unable to meet its obligations, has been technically in default for months and could be called into the dejure default at any time.

7. In Hungary the internal economic and political situation is generally good but the international financial position is getting worrisome. Its hard currency reserves have fallen to about \$350-400 million dollars--about one month's imports--and the country is finding it very difficult to obtain necessary new credits.

8. The USSR may also be starting to worry about Czechoslovakia. Partly Leader Husak led an unprecedentedly large Politburo delegation to Moscow last month, possibly to seek guidance about what to do to remedy Czechoslovakia's stagnating economy which is plagued by an outdated industrial plant. The

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economic problems seem to have provoked the liveliest behind the scenes disagreements in the Czech leadership in well over a decade.

9. All in all, Moscow's control is ^{not} ~~no longer~~ endangered anywhere in ~~its~~ Eastern European ~~empire~~ but its overall position is hardly satisfactory.

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